

IRS News Release

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IRS Formalizes Appeals Arbitration Process

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WASHINGTON — The Internal Revenue Service announced today that the Appeals arbitration process is no longer a pilot program but part of business as usual at the IRS. In arbitration the IRS and the taxpayer agree to have a third party make a decision about a factual issue that will be binding on both of them.

IRS Notice 2000-4 previously established a pilot program for cases in Appeals in which a taxpayer and IRS could jointly request binding arbitration on certain unresolved factual issues. When a limited number of factual issues remain unresolved during the course of an appeal, the taxpayer or the IRS can request arbitration and jointly select an Appeals or a non-IRS Arbitrator from any local or national organization that provides a roster of neutrals.

The permanent arbitration procedure may be used to resolve issues while a case is in Appeals, after settlement discussions are unsuccessful and, generally, when all other issues are resolved except specific factual issues for which arbitration is being requested.

Arbitration is not available for all issues. Some examples include legal issues, issues already in any court, issues in a taxpayer's case designated for litigation, collection cases with certain exceptions, and frivolous issues.

Revenue Procedure 2006-44, which formalizes the arbitration process, is attached.